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March 10, 2000

EX PARTE OR LATE FILED

Memorandum of Ex Parte Communication

Ms. Magalie Salas
Secretary
Federal Communications Commission
445 12th Street, S. W.
Street Lobby – TW A235
Washington, D.C. 20554

Dear Ms. Salas:

Re: *CC Docket No. 80-286 – Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*

CC Docket No. 96-45 – Universal Service

CC Docket No. 96-262 – Access Charge Reform

CCB/CPD CC Docket No. 97-30, Request by ALTS for Clarification of the Commission's Rules Regarding Reciprocal Compensation for Information Service Provider Traffic

CC Docket No. 99-68 – Inter-Carrier Compensation for ISP-Bound Traffic

The attached material was provided today to Mr. Peter Bluhm, staff member of the Federal-State Joint Boards on Universal Service and Separations. The materials depict the capital costs that Southwestern Bell Telephone has incurred to provide for ISP-bound traffic for ISPs served by CLECs.

We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206 of the Commission's rules. Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

Sincerely,

Jay Bennett

cc: Peter Bluhm

Capital Cost to SWBT in Texas

Trunking to CLECs for ISP Internet Bound Usage

Capital Cost	1997	1998	1999	Total
Texas CLEC Sw. & Ckt Cap. Internet	$ 15,726,834	$ 24,285,741	$ 37,943,325	$ 77,955,900
CLEC Transport Cap. for ISP	$ 10,377,009	$ 18,865,484	$ 28,010,411	$ 57,252,903
Estimated Total Capital	$ 26,103,843	$ 43,151,225	$ 65,953,736	$ 135,208,803

Note:

1. Costs are for electronics only. Does not include costs for fiber optic cable.

Switching and Circuit Capital

Description (See Notes)	1997	1998	1999	3-Yr Totals
1. Capital Cost Per Trunk Added				
Central & West Texas	$ 1,348	$ 667		
Dallas	$ 961	$ 529		
Houston	$ 692	$ 540		
South Texas	$ 910	$ 793		
Total Texas	$ 889	$ 581		
SWBT Totals	$ 957	$ 614	$ 424	
2. CLEC Trunk Gain				
Central & West Texas	8,304	13,263	25,957	
Dallas	18,697	46,702	47,050	
Houston	12,951	23,750	103,568	
South Texas	9,045	8,955	30,332	
Total Texas	48,997	92,670	206,907	
SWBT Totals	64,307	128,701	273,782	
3. Texas CLEC Switch & Ckt. Capital Cost				
Central & West Texas	$ 5,597,886	$ 4,421,765		
Dallas	$ 8,985,161	$ 12,361,064		
Houston	$ 4,484,268	$ 6,407,240		
South Texas	$ 4,115,070	$ 3,551,643		
Total Texas	$ 23,182,385	$ 26,741,712	$ 43,887,504	$ 93,811,602
4. Percent ISP of CLEC Traffic	67.84%	90.82%	86.46%	
5. Texas CLEC Sw. & Ckt Cap. Internet	$ 15,726,834	$ 24,285,741	$ 37,943,325	$ 77,955,900

Notes:

1. The Capital Cost Per Trunk Added is developed annually for capital budget purposes based on actual capital expenditures and quantities of capacity added to the network. The Switching and Circuit Capital costs represent the installed cost of central office trunk terminations.

2. Competitive Local Exchange Carrier (CLEC) Trunk Gain represent the quantity of trunks added to the network, for a given year, where one end of the facility terminates with the CLEC.

3. The Texas CLEC Switch & Circuit Capital Cost is calculated by multiplying the Capital Cost Per Trunk Added (Step 1) by the CLEC Trunk Gain (Step 2). This product is then divided by two (2) to account for SWBT providing only one end of the trunk. For Year 1999, this calculation utilized the SWBT average capital cost per unit.

4. The Percent ISP of CLEC Traffic is calculated by identifying the quantity of minutes of use to Internet Service Providers (ISP) located behind CLECs divided by the total originating and terminating minutes of use between SWBT and the CLECs in Texas.

5. The Texas CLEC Switching and Circuit Capital Internet is calculated by multiplying the Texas CLEC Switch & Circuit Capital Cost (Step 3) by the Percent ISP of CLEC Traffic (Step 4).

Transport Capital

Description (See Notes)	1997	1998	1999	3-Yr Totals
1. Fixed Capital per Eq. DS1 Ins				
Central & West Texas	$ 17.75	$ 18.46		
Dallas	$ 61.04	$ 39.18		
Houston	$ 24.88	$ 20.68		
South Texas	$ 33.96	$ 19.79		
Total Texas	$ 38.68	$ 27.38		
SWBT Totals	$ 34.55	$ 32.98	$ 30.66	
2. Variable Capital per Eq. DS1 Gain				
Central & West Texas	$ 9,221.17	$ 6,308.36		
Dallas	$ 7,772.59	$ 5,457.64		
Houston	$ 6,484.94	$ 4,525.58		
South Texas	$ 6,554.81	$ 5,408.41		
Total Texas	$ 7,404.56	$ 5,316.99		
SWBT Totals	$ 7,438.03	$ 5,390.46	$ 3,706.26	
3. CLEC Trunks In Service				
Central & West Texas	8,324	21,587	47,544	
Dallas	18,789	65,491	112,541	
Houston	13,634	37,384	140,952	
South Texas	9,076	18,031	48,363	
Total Texas	49,823	142,493	349,400	
SWBT Totals	65,421	194,122	467,904	
4. CLEC Trunk Gain				
Central & West Texas	8,304	13,263	25,957	
Dallas	18,697	46,702	47,050	
Houston	12,951	23,750	103,568	
South Texas	9,045	8,955	30,332	
Total Texas	48,997	92,670	206,907	
SWBT Totals	64,307	128,701	273,782	
5. Eq. CLEC DS1 In Service				
Central & West Texas	347	899	1,981	
Dallas	783	2,729	4,689	
Houston	568	1,558	5,873	
South Texas	378	751	2,015	
Total Texas	2,076	5,937	14,558	
SWBT Totals	2,726	8,088	19,496	
6. Eq. CLEC DS1 Gain				
Central & West Texas	346	553	1,082	
Dallas	779	1,946	1,960	
Houston	540	990	4,315	
South Texas	377	373	1,264	
Total Texas	2,042	3,861	8,621	
SWBT Totals	2,679	5,363	11,408	

Transport Capital

Description (See Notes)	1997	1998	1999	3-Yr Totals
7. CLEC Transport Capital				
Fixed Capital				
Central & West Texas	$ 6,155	$ 16,603		
Dallas	$ 47,783	$ 106,913		
Houston	$ 14,135	$ 32,216		
South Texas	$ 12,844	$ 14,869		
Total Texas	$ 80,917	$ 170,600	$ 446,401	
Variable Capital				
Central & West Texas	$ 3,190,523	$ 3,486,156		
Dallas	$ 6,055,169	$ 10,620,103		
Houston	$ 3,499,438	$ 4,478,442		
South Texas	$ 2,470,345	$ 2,018,013		
Total Texas	$ 15,215,475	$ 20,602,715	$ 31,952,104	
8. Texas CLEC Transport Capital	$ 15,296,392	$ 20,773,315	$ 32,398,505	$ 68,468,212
9. Percent ISP of CLEC Traffic	67.84%	90.82%	86.46%	
10. Texas CLEC Transport Cap. Internet	$ 10,377,009	$ 18,865,484	$ 28,010,411	$ 57,252,903

Notes:

1. The Fixed Capital Cost Per Equivalent DS1 In Service is developed annually for capital budget purposes based on actual capital expenditures and the quantity of DS1s existing in the network. This Fixed Capital Cost represents the installed cost of interoffice facilities for transmission power and alarms.

2. The Variable Capital Cost Per Equivalent DS1 Gain is developed annually for capital budget purposes based on actual capital expenditures and the quantity of DS1s added to the network. This Variable Capital Cost represents the installed cost of interoffice facilities for fiber optic terminals, Digital Cross Connect Systems, Multiplexers, and etc.

3. Competitive Local Exchange Carrier (CLEC) Trunks In Service represent the end of year quantity of trunks where one end of the facility terminates with the CLEC.

4. Competitive Local Exchange Carrier (CLEC) Trunk Gain represent the quantity of trunks added to the network, for a given year, where one end of the facility terminates with the CLEC.

5. The Equivalent CLEC DS1 In Service equals the quantity of CLEC Trunks In Service (Step 3) divided by 24. There are 24 voice circuits in one DS1 level signal.

6. The Equivalent CLEC DS1 Gain equals the quantity of CLEC Trunk Gain (Step 4) divided by 24. There are 24 voice circuits in one DS1 level signal.

7. The CLEC Transport Capital is calculated for Fixed Capital by multiplying the Fixed Capital per Equivalent DS1 In Service (Step 1) by the quantity of Equivalent CLEC DS1 In Service (Step 5). The Variable Capital is calculated by multiplying the Variable Capital per Equivalent DS1 Gain (Step 2) by the Equivalent CLEC DS1 Gain (Step 6). For Year 1999, this calculation utilized the SWBT average capital cost per unit.

8. The Texas CLEC Transport Capital is the sum of the Fixed Capital and Variable Capital calculated in Step 7.

9. The Percent ISP of CLEC Traffic is calculated by identifying the quantity of minutes of use to Internet Service Providers (ISP) located behind CLECs divided by the total originating and terminating minutes of use between SWBT and the CLECs in Texas.

10. The Texas CLEC Transport Capital Internet is calculated by multiplying the Texas CLEC Transport Capital (Step 8) by the Percent ISP of CLEC Traffic (Step 9).